



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0187	Title:	Prorate charges for motor vehicle registration
Primary Sponsor:	Taylor, Janna	Status:	As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$268,368	(\$186,799)	(\$186,967)	(\$187,135)
Revenue:				
General Fund	(\$2,043,421)	(\$3,991,422)	(\$3,995,014)	(\$3,998,610)
State Special Revenue	(\$294,002)	(\$574,294)	(\$570,975)	(\$567,687)
Net Impact-General Fund Balance:	<u>(\$2,311,789)</u>	<u>(\$3,804,623)</u>	<u>(\$3,808,047)</u>	<u>(\$3,811,475)</u>

Description of fiscal impact:

HB 187 changes the registration date for motor vehicles, trailers, semi-trailers, or pole trailers from when ownership is transferred to being based on when a vehicle was first registered. Under this proposal, the vehicle registration fees will not be collected when the vehicle ownership is transferred until the vehicle's registration renewal date. The loss of revenue due to delayed collection of registration fees and programming changes to the Montana Enhanced Registration and Licensing Information Network (MERLIN) will result in a negative impact on the general fund. There will be an impact on county revenues from the local option motor vehicle tax.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. This bill, effective January 1, 2010, changes the registration date for motor vehicles, trailers, semitrailers, or pole trailers from when ownership is transferred to being based on when a vehicle was first registered. Under this proposal, the vehicle registration fees will not be collected when the vehicle ownership is transferred until the vehicle's registration renewal date.
2. If the transfer occurs after the registration period has expired, a new registration period will be established.

3. Analysis of vehicle registrations processed in CY 2007 due to a change of ownership reflects that 108,604 vehicle registrations were processed within the registration period generating \$8,247,569 in general fund revenue. Since the distribution of the transfers within the year is currently unknown, these estimates assume that the average change in ownership takes place at the mid-point of the registration cycle, resulting in a revenue loss of \$4,123,784 (\$8,247,569 x 50%). The state accounting system (SABHRS) shows that total general fund light motor vehicle registration revenue for CY 2007 was \$86,541,345. The estimated revenue loss due to within period registrations with change of ownership represented 4.76% of CY 2007 light vehicle registration general fund revenue (\$4,123,784 / \$86,541,345).
4. Assuming ongoing registration activities would be similar to CY 2007 activity, the revenue impact of HB 187 was estimated by applying the within period registration rate in assumption #3 to estimated light motor vehicle revenue presented in the *LFD Legislative Budget Analysis: Volume 2*. OBPP light vehicle registration growth rates were used to project FY 2012 (-0.9%) and FY 2013 (-0.9%). The result of these calculations is presented in the following table:

Fiscal Impact of HB 187: Motor Vehicle Division Vehicle Registration Revenue

Motor Vehicle Division	FY 2010	FY 2011	FY 2012	FY 2013
HJR2/OBPP light vehicle revenue	\$85,858,011	\$83,853,398	\$83,928,866	\$84,004,402
Second half FY 2010 (50%)	\$42,929,006			
Revenue from change of ownership before expiration	4.76%	4.76%	4.76%	4.76%
Estimated reduction in general fund revenue	\$2,043,421	\$3,991,422	\$3,995,014	\$3,998,610

5. The impact on MHP recruitment and retention fees collected (\$5.00 on each light vehicle registered) is estimated in a similar manner below:

**Fiscal Impact of HB 187: Montana Highway Patrol
FY 2008**

Montana Highway Patrol (MHP)	(Actual)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HJR2 light vehicle growth rate		1.63%	-1.33%	-2.33%	-0.90%	-0.90%
MHP recruitment & retention SSR	\$5,043,430	\$5,125,638	\$5,057,467	\$4,939,628	\$4,895,172	\$4,851,115
Second half FY 2010 (50%)			\$2,528,734			
Revenue from change of ownership before expiration			4.76%	4.76%	4.76%	4.76%
Estimated reduction in revenue			\$120,368	\$235,126	\$233,010	\$230,913

6. Costs for training the county treasurers would be absorbed within the department's proposed base budget. Programming changes to MERLIN will be contracted by Justice Information Technology Services Division to Bearing.
7. It is estimated that it will take Bearing Point 2,275 hours to complete the changes at a cost of \$160.00 per hour for a total cost of \$364,000 [2,275 hours x \$160.00 = \$364,000].
8. HB 187 is one of several bill drafts that seek to modify motor vehicle laws and therefore the motor vehicle licensing system (MERLIN). The fiscal note for each bill will be prepared based on the effect of the individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill will require additional analysis and may provide opportunities to share or redistribute costs.

Department of Fish, Wildlife and Parks

9. In addition to 15-1-122, MCA transfer reductions shown in assumption 13, the parks, and fishing access sites fees collected with vehicle registrations (\$3.75 of the \$4.00 fee) is reduced by HB 187. The reduction in revenue is estimated using the proportion in assumption 3 and the growth factors in assumption 4 from FY 2008 actual collections in the following table:

Fiscal Impact of HB 187: Fish, Wildlife and Parks Vehicle Registration Fee Revenue						
Fish. Wildlife and Parks	FY 2008 (Actual)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HJR2 light vehicle growth rate		1.63%	-1.33%	-2.33%	-0.90%	-0.90%
Parks and fishing access sites fee (\$3.75)	\$3,064,029	\$3,113,973	\$3,072,557	\$3,000,966	\$2,973,958	\$2,947,192
Second half FY 2010 (50%)			\$1,536,278			
Revenue from change of ownership before expiration			4.76%	4.76%	4.76%	4.76%
Estimated reduction in revenue			\$73,127	\$142,846	\$141,560	\$140,286

Department of Commerce

10. The Montana Heritage Commission would see a reduction in the MHC (\$0.25) portion of the parks fee in assumption 10 and is calculated in the following table:

Fiscal Impact of HB 187: Montana Heritage Commission Vehicle Registration Fee Revenue						
Montana Heritage Commission	FY 2008 (Actual)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HJR2 light vehicle growth rate		1.63%	-1.33%	-2.33%	-0.90%	-0.90%
MHC share of parks fee (\$0.25)	\$204,275	\$207,605	\$204,844	\$200,071	\$198,270	\$196,486
Second half FY 2010 (50%)			\$102,422			
Revenue from change of ownership before expiration			4.76%	4.76%	4.76%	4.76%
Estimated reduction in revenue			\$4,875	\$9,523	\$9,438	\$9,353

Department of Administration

11. MCA 15-1-122 requires the transfer of certain percentages of state vehicle revenue to various state special funds. As vehicle general fund revenues change transfers to these state special accounts change. The following table outlines the agencies impacted by this bill:

Share of Motor Vehicle Revenue Transfers to Agencies under 15 -1-122, MCA	
Department of Fish, Wildlife & Parks	0.72%
Department of Transportation	0.30%
Department of Military Affairs	0.68%
Department of Agriculture	1.50%
Department of Environmental Quality	1.48%

12. The loss of state special and the general fund revenue will result in either lower fund balances or reductions in expenditures.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department of Administration				
<u>Expenditures:</u>				
Transfers	(\$95,632)	(\$186,799)	(\$186,967)	(\$187,135)
<u>Funding of Expenditures:</u>				
General Fund (01)	(\$95,632)	(\$186,799)	(\$186,967)	(\$187,135)
Department of Justice				
<u>Expenditures:</u>				
Operating Expenses (DOJ)	\$364,000	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$364,000	\$0	\$0	\$0
All Agencies				
<u>Revenues:</u>				
General Fund (01)	(\$2,043,421)	(\$3,991,422)	(\$3,995,014)	(\$3,998,610)
FWP (transfers) (02)	(14,713)	(28,738)	(28,764)	(28,790)
Transportation (transfers) (02)	(6,130)	(11,974)	(11,985)	(11,996)
Military Affairs (transfers) (02)	(13,895)	(27,142)	(27,166)	(27,191)
Agriculture (transfers) (02)	(30,651)	(59,871)	(59,925)	(59,979)
DEQ (transfers) (02)	(30,243)	(59,073)	(59,126)	(59,179)
MHP pay & Retention (02)	(\$120,368)	(\$235,126)	(\$233,010)	(\$230,913)
FWP Parks Fee (02)	(\$73,127)	(\$142,846)	(\$141,560)	(\$140,286)
MHC Fee (02)	(\$4,875)	(\$9,523)	(\$9,438)	(\$9,353)
Total	<u>(\$2,337,423)</u>	<u>(\$4,565,715)</u>	<u>(\$4,565,989)</u>	<u>(\$4,566,296)</u>
<u>TOTAL Revenues:</u>				
General Fund (01)	(\$2,043,421)	(\$3,991,422)	(\$3,995,014)	(\$3,998,610)
State Special Revenue (02)	(\$294,002)	(\$574,294)	(\$570,975)	(\$567,687)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>(\$2,337,423)</u>	<u>(\$4,565,715)</u>	<u>(\$4,565,989)</u>	<u>(\$4,566,296)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,311,789)	(\$3,804,623)	(\$3,808,047)	(\$3,811,475)
State Special Revenue (02)	(\$294,002)	(\$574,294)	(\$570,975)	(\$567,687)

Effect on County or Other Local Revenues or Expenditures:

1. Revenue generated from county option taxes is estimated to decrease by \$ 738,350 in FY 2010 (half year) and by \$1,442,292 in FY 2011, \$1,429,312 in FY 2012, and \$ 1,416,448 in FY 2013.

Sponsor's Initials

Date

Budget Director's Initials

Date